



October 15, 2008

Department of Energy Resources
Commonwealth of Massachusetts
100 Cambridge Street
Boston, Massachusetts 02114

Dear Sir/Madam:

Re: Class II Renewable Portfolio Standard

Following are comments of Associated Industries of Massachusetts (AIM) in regard to the Department's inquiry about the Class II renewable portfolio standard implementation and suggestions for Department regulations pursuant to the Green Communities Act in this area.

AIM is the largest employer association in Massachusetts. AIM's mission is to promote the well-being of its more than 7,000 members and their 680,000 employees and the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services.

Introduction

AIM has been very concerned about energy costs in general and electricity costs in particular for many years. High costs hobble employers, inhibit economic growth and undermine job retention and expansion. While Massachusetts and New England face inherent geographical disadvantages that affect energy costs, such limitations should spur policy makers to seize opportunities that would contribute to reducing burdensome costs. Such an opportunity exists in the implementation of the renewable portfolio standard under the Green Communities Act.

While public policy has been set to maintain and encourage renewable generation, Department rules should seek to implement the policy in the most cost-effective and transparent fashion. The comments below are set in this framework.

How should the annual Class II percentage rate be determined, and what should that rate be?

The underlying purpose for Class II RECs is a revenue yield for the maintenance and continued operation of existing renewable generation (prior to 1997). The policy decision to include such a

requirement was made by the Legislature in the Green Communities Act which identified what technologies could qualify. In this regard, there is a fixed amount of generation output that will qualify for RECs under the Act because such generation must necessarily have been in existence prior to 1997. In some cases the Act also limits by size of a renewable facility as to what output can qualify for RECs.

Therefore in order to achieve the underlying legislative purpose, the percentage needs to be set sufficient to provide financial support necessary to ensure continued operation of such facilities, but not so high as to always result in alternative compliance payments (ACP). The Department needs to examine the historic output from the facilities that can qualify under the Act for Class II RECs against total historic supply from all sources. Using this data, the Department can identify a percentage (roughly) where sufficient RECs will qualify and receive maintenance but not trip the line where suppliers or utilities (as the case may be) simply make ACP payments. This balance is essential.

What criteria should be required for any of the specified eligible technologies or fuels?

The Act sets out some specific criteria for specific technologies. Consistent with comments filed in regard to the Class I REC program, the Department should not create new regulatory programs to satisfy such specific criteria requirements. The Department should examine existing regulatory systems that review and certify specific technology facilities (e.g., hydropower) and adopt the outcome of those approvals rather than create a wholly new system. In any event, except for the legislative provisions in the Act which create differential requirements for REC qualification, the Department should keep renewable facilities/output on a level and non-discriminatory playing field.

What should be the Alternative Compliance Payment (ACP) amount be for Class II, and how should it be calculated.

Assuming the appropriate percentage is set, the ACP payments could be the same as Class I.

Conclusion

AIM looks forward to the rule making process. The keystones of these comments and the guiding principles in rule making are for a cost effective, non-discriminatory and transparent program that delivers renewable power attributes to Massachusetts consumers in an affordable way.

Should you have any questions please do not hesitate to contact me at 617-262-1180.

Sincerely,

Robert A. Rio, Esq.
Senior Vice President